- **FICCI COMMENTS ON RBI MONETARY POLICY REVIEW**

FICCI has been strongly advocating need for a deeper rate cut. We are delighted that RBI has now cut the repo rate by 50 basis points. We are equally encouraged by RBI's statement that the policy stance will continue to be accommodative and that it would work with the government to ensure that impediments to banks on passing on the policy rate cuts in the form of lower lending rates would be removed. With the rate cut while the policy rate has been reduced by 125 basis point, only 30 basis point has been transmitted in the form of lending rates. FICCI is looking forward to a faster transmission by banks as this would give a boost to the much needed investment and consumption demand in the economy.

We agree with the Governor's statement that investment will respond more strongly if there is more certainty about the extent of monetary policy stimulus in the pipeline. Further, the proposal to reduce the risk weights applicable to lower value housing loans is also a positive move. This is in line with Government's 'Housing for all' initiative and will lend support to the subdued activity in the housing sector. Any improvement in the housing construction sector will have a bearing on core sectors and thus propel overall investments and growth.

- **FICCI's REACTION TO IIP DATA FOR AUGUST 2015**

FICCI stated that the growth in manufacturing seems to be accelerating and we are hopeful of higher growth in the coming months. With the growth in manufacturing getting broad-based now and capital goods also posting a healthy growth for the first five months, Government's efforts to revive manufacturing has started yielding results. Reduction in the interest rates last month by RBI is expected to encourage investment and aggregate demand in the economy. However, Government needs to continue to take measures to create an enabling environment for business to provide impetus to the manufacturing growth and investments.

FICCI's Voice – SG's Desk is a service to all our members. The document is a compilation of major topical issues that we take up with the Central, State governments and other concerned authorities. These issues come to us directly from members, or through deliberations in conferences, seminars etc. on sectoral issues, as also through Government notifications.

- **FICCI QUARTERLY SURVEY ON MANUFACTURING**

Notwithstanding growth in manufacturing in the last few months, manufacturing sector is expected to witness subdued investments at least for a few months more, according to the latest FICCI Quarterly Manufacturing Survey. The survey noted that only 25% respondents reported any plans for new investments in the next six months, a ratio which has seen a slight dip in the last few quarters according to the survey.

In terms of investment, the FICCI Survey noted that it remains subdued in manufacturing sector as was the case for previous quarters also. For Q-1 2015-16, 75% respondents as against 73% respondents in Q-4 2014-15 and 74% respondents in Q-3 2014-15 reported that they don't have any plans for capacity additions for the next six months. Delay in regulatory clearances, poor demand conditions and high cost of borrowing are some of the major constraints which are affecting the expansion plans of the respondents.

FICCI's latest quarterly survey assessed various parameters of manufacturers for Q-1 (April - June 2015-16) for thirteen major sectors namely textiles, capital goods, metals, chemicals, cement and ceramics, electronics, auto, leather & footwear, machine tools, food, tyre, paper and textiles machinery. Responses have been drawn from 386 manufacturing units from both large and SME segments with a combined annual turnover of over Rs 4 lakh crore.

Export outlook for manufacturing has weakened in Q-1 2015-16. In the previous survey, outlook on export front remained positive and seemed to have improved somewhat in Q-4, which does not seem to be the case now. The proportion of respondents with higher exports in Q-1 2015-16 is 33% as compared to 45% in Q-4 2014-15 (January – March) and 43% in Q-3 2014-15 (October – December).

- **FICCI COMMENTS ON GOVT.'S DECISION ON MAT**

FICCI welcomes the decision of the Government to accept the recommendations of Justice A P Shah Committee not to apply the Minimum Alternate Tax provisions against foreign institutional investors/foreign portfolio investors for the period prior to April 1, 2015. With this decision the Government has, in one stroke, nipped in the bud all the disputes on the subject. FICCI deeply appreciates the move of the Government in resolving this contentious issue. It will re-affirm the faith of the investor community in the Indian taxation system as being fair and judicious. The trade and industry expect the Government to adopt a similar proactive approach in clarifying other pending tax issues. Apart from reducing litigation, such measures will help improve the investor confidence and growth of Indian economy.

- **FICCI ON COMPLETION OF ONE YEAR OF 'MAKE IN INDIA'**

FICCI has been working with the Government of India on the 'Make in India' campaign which is one of the most successful campaigns for attracting investments and improving business environment in the country. It has been well received by the industry both in India and abroad and has started yielding results too. Also, we have seen a significant increase in FDI ever since this campaign has been announced.

A number of initiatives have been taken for simplifying business environment but there is a lot more to do as pointed out by the recent World Bank report. We are hopeful that business environment at the State level will be further simplified in due course as a result of Government's initiatives both at the Central and State level. We have seen rationalization and clarifications on some of the most time consuming clearances in the last 12 months which has given confidence to the industry and ensured faster execution of projects. As a result, we have seen the highest amount of investment projects getting completed in manufacturing in the quarter ending June 2015, since 2010.

- **FICCI TO BE THE LEAD INDUSTRY PARTNER 'THE WIN INDIA 2015'**

India is lagging behind in domestic capital goods manufacturing, leading to an increasing dependance on imports in the sector. Capital goods manufacturing is crucial for the development of India's manufacturing ecosystem as it has a multiplier effect by supplying the equipment and machinery needed to support and encourage the sector's growth. Today the capital goods industry contributes a meagre 12% to the total manufacturing activity in the country. We are greatly looking forward to this partnership at WIN India 2015 to promote the Department of Heavy Industries objectives of boosting the Indian capital goods sector, and promoting India's focus on Make in India.

- **RATE CUT BY BANKS WILL HAVE A BEARING ON CORE SECTORS, PROPELLING OVERALL INVESTMENTS AND GROWTH**

FICCI is happy to note the initiation of reduction process in the base rate by some of the major Banks, following the policy rate reduction of 50 bps by the RBI. We hope that other Banks will also follow suit. FICCI has been strongly advocating the need for deeper rate cut and we are highly encouraged by the accommodative policy stance taken by the RBI. We are equally enthused by the commitment shown by the Government to facilitate the transmission by reviewing the framework of small savings. This is going to give a much needed boost to consumer demand as well as business investments, especially since the festive season is around the corner. The reduction in lending rates and the proposal to reduce the risk weights applicable to lower value housing loans will give a boost to housing construction. This in turn will have a bearing on core sectors and thus propel overall investments and growth.

- **CONSUMERS' DESIRE FOR UNDERTAKING NEED ASSESSMENT BEFORE BUYING LIFE INSURANCE PRODUCTS**

A survey by FICCI-Canara HSBC Oriental Bank of Commerce Life Insurance Company brings to the fore that buyers of life insurance policies recognize the significance of professional need assessment for choosing suitable insurance products. To help shape their need-based investment, they would be willing to spend time and money.

FICCI said that the survey was conducted in the backdrop of the low penetration and density of the Indian life insurance market. As compared to global average penetration and density level of 3.4% and US$ 368, India's insurance penetration and density levels are much lower at 2.6% and US$ 44. Life insurance is an important asset class which not only provides people an opportunity to save but provides protection to the family members of the insured on the occasion of his/her untimely death. Therefore, these products should be demand driven. On the contrary, life insurance largely remains a push product even now. This necessitated analysis of the mindset of consumers towards life insurance products on one hand and the robustness of the existing industry practices on the other.

- **PM MODI'S SILICON VALLEY VISIT TO HELP IN FOSTERING BETTER ECONOMIC CLIMATE AND IN ENHANCING FOREIGN INVESTMENT**

FICCI has stated that as two of the largest democracies of the world, India and the US share a commitment to work together in innovation collaboration to solve problems of not only American and Indian citizens but of the global community. FICCI will further enhance the India Innovation Growth Program with support of the Department of Science & Technology and US partners to create a start-up platform that is a technology enabler for growth and bring forth ideas and innovations that will shape the future of industries across the country. Already, the platform has supported over 400 innovators and has generated more than $860 million as revenue. FICCI and other partners will scale up the platform 10 times from its current scale to support the Prime Minister's vision of 'Start up India/Stand up India'.

FICCI and Indian industry also appreciate the vision of the joint statement brought out by the Prime Minister Modi and US President Barack Obama on the shared commitment to fight climate change. Industry is in favor of the vision for the scientific and business community of both sides to work together to develop green energy and for providing technology and financing.

- **'PRIOR EXPERIENCE' NORM FOR START-UPS UNDER PUBLIC PROCUREMENT ORDER MAY GO**

The Government is making a concerted bid to ease norms for doing business for Micro, Small and Medium Enterprises (MSME) sector by seeking to redefine MSMEs through a hike in investment limits in plant and machinery, introduce a single page registration form and doing away with the 'prior experience' clause under the Compulsory Public Procurement Order for such units.

FICCI stated that a lot is consistently being done by the government to support the upcoming entrepreneurs and help them grow from the status of micro to small, medium and ultimately large enterprises. To support this idea, the need of the hour is not only to depend upon the schemes and policies of the government but also to develop and strengthen MSMEs with new innovative products and business processes. Also, Public Private Partnership (PPP) mode should be encouraged so that the incentives of the government can be better utilised as there is a significant share and major role of the private entity along with the government in these partnerships.

- **NEED FOR RATIONAL TRANSFORMATION OF BUSINESS TO REALIZE FULL POTENTIAL OF LIFE CYCLE MANAGEMENT**

FICCI said that LCT was playing an increasingly important role in guiding and shaping business operations worldwide to improve overall sustainability performance. A growing number of corporates are using LCM as the new business approach to help counter environmental impacts along with, and not at the cost of business growth and performance.

LCM was a framework to analyze and manage the sustainability performance of goods and services. FICCI had already issued internal guidelines to all teams for bringing in the Life Cycle perspective into its policy/business recommendations for government and industry, taking into account multiple impacts (environmental, social and economic) of FICCI recommendations from a cradle-to-grave perspective.

Life Cycle Assessment comes across as a complex tool to decision makers and communication needs to be more effective. Simply put, LCA helps us to find out more about what is going on, whether it is visible, not visible as yet. The panel discussion on Life Cycle Costing and SPP revealed that the rules do contain references to procurement of environment friendly products but there is lack of awareness among procurers on how such procurement process can be handled.

- **<u>DELEGATION OF POWER AND MUTUAL TRUST REQUIRED TO BUILD A VIBRANT DEFENCE INDUSTRIAL BASE</u>**

FICCI said that public sector has taken steps to outsource to the private sector, however a lot more collaborative approach is required. We need to work together as a national industry where the DPSU's and OF's should outsource the work with true and literal meaning of outsourcing. This will help in building robust base of MSMEs and supporting the growth of the pyramid.

A system integrator should remain committed towards the core job of system integration and aim to develop a chain of niche MSME suppliers who can not only be his trusted partners but also have the opportunity to be a part of global supply chain of OEMs, thereby creating value for Indian industry. FICCI views both public sector and private sector as complementary force with one vision and mission – India First.

- **<u>YOUTH NEEDS ADDITIONAL SKILLS TO BECOME INDUSTRY-READY AND EMPLOYABLE</u>**

FICCI said that it is critical that government facilitates expansion of quality training infrastructure in the country to meet the increasing demand of skilled workforce. Employers have cited lack of trained manpower as one of the major concerns for their growth aspirations. Hence, 'Make in India' would boost manufacturing in India and create more jobs, while 'Skill India' would provide a job-ready workforce to ramp up productivity and aid economic growth.

The 'Start up, Stand up India' initiative aims to boost entrepreneurship by promoting bank financing incentives for increase in job creation which is essential to provide jobs for 402 million by 2022. A greater integration of the 'State Skill Missions' that would drive the Skill agenda in the states, 'Skill India Mission' and 'Make in India' is essential with the active participation of all stakeholders.

- **<u>WE MUST PUSH OUR GLOBAL COMPETITIVENESS IN THE CURRENT ENVIRONMENT</u>**

Highlighting the need for enhancing competitiveness, FICCI said that India has both demand and supply – a large young workforce and ample natural resources. We must push our global competitiveness in the current environment. While we should continue to market India as an attractive investment destination under the 'Make in India' campaign, it is equally important to encourage domestic investments.

Some of the key suggestions made by FICCI are:

- The domestic investment is sluggish because of lack of demand and high cost of capital. Reduction in interest rates will kick start both consumption as well as investment. Setting up of a National Asset Management Company that could take over large NPAs would release lendable resources and also help in reducing lending rates. While the National and Infrastructure Fund is in place more such funds managed by professional fund managers should be set up.

- 'Start-up India – Stand-up India' can play a significant role in creating livelihood opportunities. This should be implemented in mission mode with some employment linked tax rebates offered to entrepreneurs.

- There should be frequent interface between government authorities and domestic industry on economic issues.

- **<u>ONUS ON LENDING AGENCIES TO HELP LOWER COST OF CAPITAL & TECHNOLOGY FOR RENEWABLE PROJECTS</u>**

FICCI has said that we are at a critical and a defining moment in the transformation of the Indian economy, requiring huge investments in new cities, energy and transport systems and other infrastructure. India's domestic plans on low-carbon and climate resilient development call for significant financial outlays from Government sources. However, to meet the targets, domestic public funds alone will be insufficient - and mechanisms are therefore urgently needed to raise and leverage private capital as well as international financial flows. As a part of this, it is critical that the financial system's capacity and readiness to respond to climate change and other sustainable development priorities is enhanced, driving innovation across banking, insurance, investments and securities. Green bonds are an attractive investment proposition with an opportunity to support climate-related projects. Thus, exploring the role of green bonds in the Indian market and suggesting a framework to develop the financial system would provide the roadmap for the India financial landscape.

- **<u>ROADSHOW FOR 'BENGAL GLOBAL BUSINESS SUMMIT 2016'</u>**

The roadshow aimed at showcasing the huge investment opportunities available in West Bengal in the identified sectors including manufacturing, food processing, MSME & textiles, urban infrastructure & housing, hospitality, tourism & business of entertainment, healthcare, education & skill development, energy & infrastructure, IT software & hardware, financial services and transport.

West Bengal, once a laggard amongst states in the country in all economic and social parameters, is now poised to attain the top spot in terms of ease of doing business and attracting large doses of investments. This is exemplified by the fact that during 2014-15 (Quarter-I), West Bengal's Gross State Domestic Product grew by 8.9% compared to 5.7% nationally; and industry sector rose by 6.28% compared to 4.2% at the national level.

FICCI said that significant reforms in tax policy and tax administration have been introduced in the state for creating a tax-friendly regime. The Government of West Bengal has been recognized for having the best online system for tax by the Government of India. Progressive policies like Investment and Industrial Policy 2013 and other sectoral policies have been received very well by the investors. The roadshow aimed at projecting the investment potential of the state to a cross section of entrepreneurs and investors.

For more details contact FICCI Membership
at tripti.kataria@ficci.com